AMENDED IN SENATE AUGUST 5, 2008

AMENDED IN SENATE JULY 2, 2008

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AMENDED IN ASSEMBLY APRIL 23, 2008

AMENDED IN ASSEMBLY APRIL 21, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 2558

Introduced by Assembly Members Feuer, Huffman, and Levine

February 22, 2008

An act to add the heading of Division 1 (commencing with Section 66500) to Title 7.1 of, and to add Division 2 (commencing with Section 66538) to Title 7.1 of, the Government Code, to add Article 6.5 (commencing with Section 130356) to Chapter 4 of Division 12 of the Public Utilities Code, and to repeal Chapter 12 (commencing with Section 8500) of Part 2 of Division 2 of the Revenue and Taxation Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2558, as amended, Feuer. Los Angeles County Metropolitan Transportation Authority: Metropolitan Transportation Commission: elimate change mitigation and adaptation fee fees.

(1) Existing law creates the Los Angeles County Metropolitan Transportation Authority, with specified powers and duties relative to transportation planning, programming, and operations in the County of Los Angeles. Existing law creates the Metropolitan Transportation AB 2558 -2-

Commission, with specified powers and duties relative to transportation planning and programming in the Bay Area.

This bill would authorize the authority and the commission, subject to voter approval, to impose a climate change mitigation and adaptation fee or a climate protection and system preservation fee in their respective jurisdictions, as specified. The bill would specify 2 alternative options for imposing the fee fees, which would either be a motor vehicle fuel fee or a vehicle fee, subject to specified certain maximum amounts, to be collected by the Department of Motor Vehicles or the State Board of Equalization, as specified.

In the Bay Area, the bill would provide for the *climate protection and system preservation* fee to be imposed for a maximum of 30 years pursuant to a regional climate change and adaption *an* expenditure plan adopted jointly by majority ²/₃ vote of the Metropolitan Transportation Commission and the Bay Area Air Quality Management District, with fee revenues to be used for programs and projects to cost-effectively reduce greenhouse gas emissions directly associated with the operation of motor vehicles that meet at least one of a list of regional environmental or transportation needs. The bill would require the board of supervisors of each county and city and county in the Bay Area region, upon the request of the commission and district, to submit a ballot measure to the region's voters, thereby imposing a state-mandated local program. The ballot measure would require approval by a majority of voters as determined necessary by the California Constitution or other applicable statutory provisions within the region.

In the County of Los Angeles, the bill would provide for the *climate* change mitigation and adaptation fee to be imposed for a maximum of 30 years pursuant to a climate change and—adaption adaptation expenditure plan adopted by a majority vote of the Los Angeles County Metropolitan Transportation Authority, with fee revenues to be used for public transit and—congestion management projects and programs that meet at least one of a list of regional environmental or transportation needs, with capital projects subject to a requirement that they be able to begin construction by December 31, 2018. The bill would require the portions of the expenditure plan relating to public transit to first be approved by a $\frac{1}{3}$ vote of the municipal transit operators in the county and a $\frac{1}{3}$ vote of the authority. The bill would provide for the authority to call a special election no later than November 6, 2012, for the purpose of submitting the ordinance containing the fee and

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expenditure plan to the voters of the County of Los Angeles, with majority voter approval required.

The bill would also provide that if the State Air Resources Board adopts a statewide fee on motor vehicles or on the retail sale of motor vehicle fuels under its existing authority, then that fee shall be collected in the Bay Area region and in the County of Los Angeles only to the extent that it exceeds a fee imposed pursuant to this bill for the duration of the term that this fee is imposed. The bill would require the Metropolitan Transportation Commission and the Los Angeles County Metropolitan Transportation Authority, if the State Air Resources Board adopts a fee applicable at the time of purchase of a motor vehicle for purposes of implementation of the California Global Warming Solutions Act of 2006, to exempt those vehicles from the vehicle fee imposed under this act for a one-year period, as specified.

- (2) Existing law authorizes the Metropolitan Transportation Commission to impose a motor vehicle fuel tax within its jurisdiction. This bill would repeal this authorization.
- (3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that the Legislature finds there is no mandate contained in the bill that will result in costs incurred by a local agency or school district for a new program or higher level of service which require reimbursement pursuant to these constitutional and statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. The heading of Division 1 (commencing with Section 66500) is added to Title 7.1 of the Government Code, to read:

DIVISION 1. GENERAL PROVISIONS

SEC. 2. Division 2 (commencing with Section 66538) is added to Title 7.1 of the Government Code, to read:

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DIVISION 2. CLIMATE-CHANGE MITIGATION AND ADAPTATION PROTECTION AND SYSTEM PRESERVATION FEE

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66538. (a) Subject to approval of the voters pursuant to subdivision (c), the Metropolitan Transportation Commission may impose a regionwide climate change mitigation and adaptation protection and system preservation fee within the Bay Area region. As used in this section, "Bay Area region" means the area within the jurisdiction of the commission, as defined in Section 66502.

The fee shall be in addition to any other levies that the commission is authorized to impose. The fee may be implemented for a period not to exceed 30 years. In implementing the fee, the commission shall utilize one of the following mechanisms:

- (1) A fee on all motor vehicle fuels sold in the Bay Area region. As used in this paragraph, "motor vehicle" does not include aircraft. The fee shall be established by the commission at a rate determined by the commission, but not to exceed 3 percent of the retail sales price of motor vehicle fuel at the time the commission adopts the expenditure plan.
- (2) (A) An annual per-vehicle fee for each vehicle registered in the Bay Area region that would vary based on the carbon emissions produced by the vehicle. If the commission imposes the fee under this mechanism, the commission shall consult with the Department of Motor Vehicles and other appropriate state or federal agencies for applicable data to determine the amount of the fee for each vehicle. The rate of the fee shall not exceed ninety dollars (\$90). A registered owner of a vehicle who meets the eligibility requirements for assistance programs under Chapter (commencing with Section 11200) or Chapter 3 (commencing with Section 12000) of Part 3 of, Part 5 (commencing with Section 17000) of, or Chapter 10 (commencing with Section 18900), Chapter 10.1 (commencing with Section 18930), or Chapter 10.3 (commencing with Section 18937) of Part 6 of, Division 9 of, the Welfare and Institutions Code shall be exempt from the payment of any fee imposed pursuant to this paragraph. If the State Air Resources Board adopts a fee, applicable at the time of purchase of a motor vehicle, for purposes of implementation of the California Global Warming Solutions Act of 2006, Division 25.5 (commencing with Section 38500) of the Health and Safety Code, the commission

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shall exempt vehicles from the climate protection and system preservation fee for the first year of registration.

- (B) The Department of Motor Vehicles, if requested by the commission pursuant to this section, shall impose and collect the registration fees set forth in this paragraph for every motor vehicle registered in the Bay Area region. After deducting all costs incurred pursuant to this section, the Department of Motor Vehicles shall distribute the fees collected to the commission.
- (b) (1) The commission and the Bay Area Air Quality Management District shall jointly adopt a regional climate change and adaption an expenditure plan for the revenues derived from the fee by a majority vote of each board. The regional climate change and adaption expenditure plan shall fund programs and projects to cost-effectively reduce greenhouse gas emissions directly associated with the operation of motor vehicles. The regional climate change and adaption fee. To be eligible for inclusion in the expenditure plan, a project or program shall meet at least one of the following regional environmental or transportation needs:
- (A) Cost-effectively reduce greenhouse gas emissions directly associated with the operation of motor vehicles.
 - (B) Infrastructure to promote safe bicycling and walking.
 - (C) Capital or operating expenses of public transit systems.
- (D) Improve the operational efficiency of the existing state highway and local roadway system without a physical expansion of the system.
- (E) Maintenance and rehabilitation of local streets and roads, sidewalks, or bicycle routes.

The expenditure plan shall describe proposed transportation projects and programs and the estimated cost of each. Adoption of the expenditure plan by the commission and the district shall include a finding by the commission and the district that the expenditure plan will achieve a nexus between payment of the fee and the mitigation of greenhouse gas emissions or the other improvements funded by the fee.

(2) In developing the expenditure plan, the commission and the district shall prioritize expenditures that are most cost effective at producing reductions in greenhouse gas emissions from motor vehicle use in the Bay Area region. These reductions should include the associated greenhouse gas emission reduction benefits of

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reduced traffic congestion to ensure the reductions accurately reflect the full benefits of the project or program. The expenditure

- (2) The expenditure plan development process shall include the development of a diverse working group, with representatives from regional agencies and commissions, local agencies such as cities, counties, and congestion management agencies, nonprofit transportation and land use experts, academic institutions working on climate change and vehicle miles traveled reduction, and other interested groups. This working group shall make recommendations to the commission and the district on which projects to include in the expenditure plan. For those projects or programs in the expenditure plan, the commission and the district shall prioritize expenditures that are most cost effective at producing reductions in greenhouse gas emissions from motor vehicle use in the Bay Area region. These reductions should include the associated greenhouse gas emission benefits of reduced traffic congestion to ensure the reductions accurately reflect the full benefits of the project or program.
- (3) Estimates of cost, greenhouse gas reduction, and mobility improvement for each project shall be prepared by the commission and district, in consultation with project sponsors. An equity analysis shall be conducted, showing the costs and benefits to each income and geographic group of the proposed expenditure plan. A goal of the regional climate change and adaption expenditure plan is to select projects that cost-effectively reduce climate emissions, and cost-effective projects that collectively provide at least as much benefit to low-income households, on average, as may be imposed in costs. Estimates of other funding required to complete any project shall be based on an estimate of funds reasonably expected to be available during the duration of the fee commencing with the year that the fee is initially imposed.
- (4) If not otherwise available, sufficient funding shall be included in the cost estimates and
- (4) The expenditure plan presented to the voters include sufficient funding to operate and maintain each-included project for the duration of the fee, unless other fund sources are already available for this purpose.
- (5) The final expenditure plan shall be approved by the commission and the district by a two-thirds vote of their respective boards.

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(c) (1) Following the joint adoption by the commission and district of a regional climate change and adaptation an expenditure plan, the board of supervisors of each county and city and county in the Bay Area region shall, upon the request of the commission and district, submit to the voters at a local election consolidated with a statewide primary or general election specified by the commission, a measure, adopted by the commission, authorizing the commission to impose the fee throughout the Bay Area region.

- (2) The measure may not be grouped with state or local measures on the ballot, but shall be set forth in a separate category.
- (3) The commission shall reimburse each county and city and county in the region for the cost of submitting the measure to the voters. These costs shall be reimbursed from revenues derived from the fee if the measure is approved by the voters or, if the measure is not approved, from any funds of the commission that are available for general transportation planning.
- (d) Upon approval of the measure by the margin a majority of voters within the region voting at a local election—as determined necessary by the California Constitution or other applicable statutory provisions,, the commission may impose the fee in all counties in the Bay Area region.
- (e) (1) The commission shall contract with the State Board of Equalization, pursuant to the Fee Collection Procedures Law, Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code, for the administration of the fee imposed under paragraph (1) of subdivision (a), and the board shall be reimbursed for its actual cost in the administration of the fee and for its actual cost of preparation to administer the fee based upon an independent audit.
- (2) The State Board of Equalization shall adopt the necessary rules and regulations to administer the fee.
- (3) After deducting its cost of administering the fee, the State Board of Equalization shall periodically transmit the net revenues to the commission as promptly as possible. Transmittal of those revenues shall be made at least twice in each calendar quarter.

(e)

(f) The net revenues of the fee shall be deposited into the Transportation Fund for Climate Protection Climate Protection and System Preservation Fund, to be created and administered by

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1 the commission, and shall be expended in accordance with this 2 section.

(f)

(g) The net revenues received by the commission shall be expended only in accordance with the regional climate change and adaptation expenditure plan adopted pursuant to subdivision (b), except that the commission may deduct from those revenues funds to reimburse the commission and district for expenses incurred in the initial implementation of this section and, thereafter, its cost costs of administration, not to exceed 5 percent of annual net revenues.

12 (g)

(h) The regional climate change and adaptation expenditure plan shall include a process of ensuring periodic public review of the progress of the expenditure plan and citizen oversight.

(h)

- (i) The commission shall update the regional climate change and adaptation expenditure plan to reflect the completion of projects included in the initial voter-approved plan and to add additional projects that meet the requirements of subdivision (b). Any amendment shall comply with all of the requirements for the plan prescribed by this section.
- (i) The commission may issue bonds payable from fee revenues. Proceeds from the bonds shall be used for the purposes in subdivision (b).
- (j) (1) "Bonds" means any bonds, notes, variable rate and variable maturity securities, and any other evidence of indebtedness issued pursuant to this division.
- (2) The commission shall have and may exercise all rights and powers, expressed or implied, that are necessary to carry out the purposes and intent of this division, including the power to do all of the following:
- (A) Issue bonds payable from and secured by a pledge by the commission of all or any part of the net revenues deposited into the Climate Protection and System Preservation Fund to finance the activities authorized by this division and to purchase, refund, or otherwise acquire, at or before maturity, any outstanding bonds, and to sell those bonds at public or private sale in the form and on the terms and conditions as the commission shall approve.

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(B) Pledge all or any part of net revenues deposited into the Climate Protection and System Preservation Fund to secure bonds and any repayment or reimbursement obligations of the commission to any provider of bond insurance or letter of credit or line of credit facility determined to be appropriate by the commission to provide for the payment of debt service on any bonds of the commission issued pursuant to this division, and the state hereby pledges to, and agrees with, the holders of bonds that the state will not limit, alter, or restrict the rights hereby vested in the commission to fulfill each pledge of revenues and any other terms of any agreement made with or for the benefit of the holders of bonds or in any way impair the rights or remedies of the holders of the bonds or the providers of bond insurance or letter of credit or line of credit facilities.

- (C) Do all acts necessary and convenient for the full exercise of the powers granted in this division.
- (3) The commission may issue bonds in accordance with the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the Government Code) for any of the purposes authorized by this division. The commission shall constitute a "local agency" within the meaning of Section 54307 of the Government Code. The operation of the projects authorized by this division or any grouping or units thereof shall constitute an "enterprise" within the meaning of that section.
- (4) Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the Government Code shall not apply to the issuance and sale of bonds pursuant to this division and the commission shall authorize the issuance of such bonds by resolution of its board.
- (5) Any bond issued pursuant to this section shall contain on its face a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of principal of, or the interest on, this bond."
- (6) The commission may bring an action to determine the validity of any of its bonds pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.
- 38 (7) The commission, its income and property, all bonds issued 39 by it, and the interest on the bonds are exempt from all taxation 40 by this state or any political subdivision of this state.

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(8) Bonds issued by the commission are legal investments for all trust funds, the funds of all insurance companies, banks, trust companies, executors, administrators, trustees, and other fiduciaries. The bonds are securities that may legally be deposited with, and received by, any state or municipal officer or agency or political subdivision of the state for any purpose for which the deposit of bonds or obligations of the state is now, or may hereafter be, authorized by law, including deposits to secure public funds.

(j)

 (k) If the State Air Resources Board adopts a statewide fee on motor vehicles or on the retail sale of motor vehicle fuels under its authority in Section 38597 of the Health and Safety Code, then that fee shall be collected in counties in the Bay Area region only in an amount by which that fee exceeds the amount of the fee imposed under this division for the duration of the term that the fee under this division is imposed, notwithstanding any other provision of law.

(k)

- (1) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.
- SEC. 3. Article 6.5 (commencing with Section 130356) is added to Chapter 4 of Division 12 of the Public Utilities Code, to read:

Article 6.5. CLIMATE CHANGE MITIGATION AND ADAPTATION FEE

130356. (a) Subject to approval of an ordinance pursuant to Section 130357 and majority voter approval pursuant to Section 130358, the Los Angeles County Metropolitan Transportation Authority may impose a countywide climate change mitigation and adaptation fee. The fee shall be in addition to any other levies that the authority is authorized to impose. The fee may be implemented for a period not to exceed 30 years. In implementing the fee, the authority shall utilize one of the following mechanisms:

(1) A fee on all motor vehicle fuels sold in the County of Los Angeles. As used in this paragraph, "motor vehicle" does not include aircraft. The fee shall be established by the authority at a -11- AB 2558

rate determined by the authority, but not to exceed 3 percent of the retail sales price of motor vehicle fuel at the time the authority adopts the expenditure plan.

- (2) (A) An annual per-vehicle fee for each vehicle registered in the County of Los Angeles that would vary based on the carbon emissions produced by the vehicle. If the authority imposes the fee under this mechanism, the authority shall consult with the Department of Motor Vehicles and other appropriate state or federal agencies for applicable data to determine the amount of the fee for each vehicle. The rate of the fee shall not exceed ninety dollars (\$90). A registered owner of a vehicle who meets the eligibility requirements for assistance programs under Chapter 2 (commencing with Section 11200) or Chapter 3 (commencing with Section 12000) of Part 3 of, Part 5 (commencing with Section 17000) of, or Chapter 10 (commencing with Section 18900), Chapter 10.1 (commencing with Section 18930), or Chapter 10.3 (commencing with Section 18937) of Part 6 of, Division 9 of, the Welfare and Institutions Code shall be exempt from the payment of any fee imposed pursuant to this paragraph. If the State Air Resources Board adopts a fee, applicable at the time of purchase of a motor vehicle, for purposes of implementation of the California Global Warming Solutions Act of 2006, Division 25.5 (commencing with Section 38500) of the Health and Safety Code, the authority shall exempt vehicles from the climate change mitigation and adaptation fee for the first year of registration.
- (B) The Department of Motor Vehicles, if requested by the authority pursuant to this section, shall impose and collect the registration fees set forth in this paragraph for every motor vehicle registered in the County of Los Angeles. After deducting all costs incurred pursuant to this section, the department shall distribute the fees set forth in this paragraph collected to the authority.
- (b) As part of the ordinance under Section 130357, the authority shall adopt a climate change mitigation and adaptation expenditure plan. The expenditure plan shall describe the specific projects and programs that would be eligible for the revenues from the fee, consistent with subdivision (f). The expenditure plan shall also describe funds other than revenues from the fee that the authority anticipates will be expended on those projects and programs, and a schedule for anticipated availability of funds for the projects and programs.

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(c) The climate change mitigation and adaptation expenditure plan development process shall include a working group with representatives from the authority and from the municipal transit operators in Los Angeles County. The working group shall make recommendations to the authority on which projects to include in the expenditure plan. Before the authority may adopt the expenditure plan pursuant to subdivision (b), the provisions of the plan that relate to transit projects and expenditures shall be approved by a two-thirds majority of the municipal transit operators in Los Angeles County and a two-thirds vote of the authority. The expenditure plan shall provide for an allocation of all transit operating funds in accordance with Section 99285.

- (d) The authority shall use no more than 2 percent of fee revenues to administer the fee and the projects and programs funded by fee revenues.
- (e) Fee revenues shall be deposited in the Climate Change Mitigation and Adaptation Fund, to be created by the authority. Revenues in the fund shall be available to the authority to fund projects and programs that advance the goals of the expenditure plan. Fee revenues may be used in conjunction with other funds available to the authority for these purposes. The authority may distribute a portion of revenues through a competitive grant program for the county and cities within the jurisdiction of the authority through the authority's existing call for projects program as established by Los Angeles County Proposition A of 1980 and Proposition C of 1990.
- (f) (1) Net A minimum of two-thirds of net fee revenues, after administrative costs as described in subdivision (d), shall be used to fund both of the following:
 - (A) Public transit projects and programs.
- (B) Congestion management projects and programs of the type provided in Section 182.7 of the Streets and Highways Code.
- (2) A minimum of two-thirds of net fee revenues shall be used for the purposes in subparagraph (A) of paragraph (1). public transit projects and programs. The remaining funds shall be used to meet at least one of the following transportation needs:
- (A) Cost-effectively reduce greenhouse gas emissions directly associated with the operation of motor vehicles.
- *(B) Fund maintenance and rehabilitation of local streets and* 40 *roads, sidewalks, or bicycle routes.*

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- (C) Fund capital or operating expenses of public transit systems.
- 2 (D) Improve the operational efficiency of the existing state 3 highway and local roadway system without a physical expansion 4 of the system.

(3)

- (2) A capital project listed in the expenditure plan to be approved by the voters pursuant to Section 130357 must be able to begin construction no later than December 31, 2018. A capital project that is not able to comply with this requirement shall not be funded from fee revenues.
- (g) The authority may issue bonds payable from fee revenues. Proceeds from the bonds shall be used for the purposes in subdivision (f).
- (h) If the State Air Resources Board adopts a statewide fee on motor vehicles or on the retail sale of motor vehicle fuels under its authority in Section 38597 of the Health and Safety Code, then that fee shall be collected in Los Angeles County only in an amount by which that fee exceeds the amount of the fee imposed under this article for the duration of the term that the fee under this article is imposed, notwithstanding any other provision of law.
- 130357. To impose the fee authorized under this article, both of the following shall be required:
- (a) An ordinance proposing the fee and the expenditure plan and submitting the fee and the expenditure plan to the voters for approval is approved by a majority vote of the board.
- (b) A majority of the voters in the County of Los Angeles approve a ballot measure pursuant to Section 130358.
- 130358. The authority may call a special election, to occur no later than November 6, 2012, for the purposes of submitting the ordinance containing the fee and the expenditure plan to the voters of the County of Los Angeles. The election shall be consolidated with a statewide primary or general election specified by the authority.
- 130359. The provisions of this article are severable. If any provision of this article or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.
- 38 SEC. 4. Chapter 12 (commencing with Section 8500) of Part 39 2 of Division 2 of the Revenue and Taxation Code is repealed.

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SEC. 5. The Legislature finds that there is no mandate contained in this act that will result in costs incurred by a local agency or school district for a new program or higher level of service which require reimbursement pursuant to Section 6 of

5 Article XIII B of the California Constitution and Part 7

6 (commencing with Section 17500) of Division 4 of Title 2 of the

7 Government Code.